

# HOUSE BILL REPORT

## HB 1293

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**As Passed House:**

February 28, 2007

**Title:** An act relating to insurance commissioner regulatory assessment fees.

**Brief Description:** Modifying insurance commissioner regulatory assessment fee provisions.

**Sponsors:** By Representatives Cody and Sommers; by request of Insurance Commissioner.

**Brief History:**

**Committee Activity:**

Appropriations: 1/29/07, 1/31/07 [DP].

**Floor Activity:**

Passed House: 2/28/07, 96-1.

**Brief Summary of Bill**

- Changes the way Health Maintenance Organizations (HMOs) are charged regulatory assessment fees.
- Makes HMOs' regulatory assessment fees a percentage of their net premium totals.

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### HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** Do pass. Signed by 33 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Buri, Chandler, Cody, Conway, Darneille, Ericks, Fromhold, Grant, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Kretz, Linville, McDermott, McDonald, McIntire, Morrell, Pettigrew, Priest, Schual-Berke, Seaquist, P. Sullivan and Walsh.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Dunn.

**Staff:** Kirk Schmidt (786-7118).

**Background:**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Insurers, health care service contractors, and self-funded multiple employer welfare arrangements are classified as either class one, class two, or class three organizations. All of these organizations are charged a pro rata share of the cost of operating the Office of the Insurance Commissioner. Each class of organization has its fee calculated separately to reflect the portion of the Insurance Commissioner's operating budget each class represents. The fees are not to exceed one-eighth of 1 percent of receipts.

Health Maintenance Organizations (HMOs) licensed in Washington are assessed fees to cover the cost of financial condition and market conduct examinations, the costs of promulgating rules, and other costs of regulating HMOs. The fees shall not exceed five and one-half cents per month per person.

Penalties for failure to pay fees for all class one, class two, and class three organizations are equal to penalties for failure to pay taxes:

- 0-45 days - a penalty of 5 percent of the amount of the tax;
- 46-60 days - a penalty of 10 percent of the amount of the tax; and
- more than 60 days - 20 percent of the amount of the tax.

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**Summary of Bill:**

Health Maintenance Organizations are classified as a class two organization (similar to health care service contractors). Health Maintenance Organizations will pay fees equal to one-eighth of 1 percent of their net premiums. Clarifications are made to penalties related to failure to pay fees.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:**

(In support) This bill will not cause an increase in revenue. The bill allows a more even distribution of costs among insurers. Over the past several years, insurance premiums have increased but Health Maintenance Organization (HMOs) enrollment has remained constant. This has caused the fees paid by class one, two, and three organizations to increase, while fees paid by HMOs has remained relatively constant

**Persons Testifying:** (In support) Mary Clogston, Office of the Insurance Commissioner.

**Persons Signed In To Testify But Not Testifying:** None.